

EXECUTIVE BOARD – 16 DECEMBER 2014

Subject:	Budget Consultation 2015/16 Phase 1		
Corporate Director(s)/ Director(s):	Glen O'Connell, Acting Corporate Director for Resources		
Portfolio Holder(s):	Councillor Graham Chapman, Deputy Leader/Portfolio Holder for Resources and Neighbourhood Regeneration		
Report author and contact details:	Geoff Walker, Acting Director of Strategic Finance 0115 8763740 geoff.walker@nottinghamcity.gov.uk		
Key Decision	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	Subject to call-in <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Reasons: <input type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision	<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital		
Significant impact on communities living or working in two or more wards in the City	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Total value of the decision: Nil			
Wards affected: All	Date of consultation with Portfolio Holder(s): Throughout the budget process		
Relevant Council Plan Strategic Priority:			
Cutting unemployment by a quarter	<input checked="" type="checkbox"/>		
Cut crime and anti-social behaviour	<input checked="" type="checkbox"/>		
Ensure more school leavers get a job, training or further education than any other City	<input checked="" type="checkbox"/>		
Your neighbourhood as clean as the City Centre	<input checked="" type="checkbox"/>		
Help keep your energy bills down	<input checked="" type="checkbox"/>		
Good access to public transport	<input checked="" type="checkbox"/>		
Nottingham has a good mix of housing	<input checked="" type="checkbox"/>		
Nottingham is a good place to do business, invest and create jobs	<input checked="" type="checkbox"/>		
Nottingham offers a wide range of leisure activities, parks and sporting events	<input checked="" type="checkbox"/>		
Support early intervention activities	<input checked="" type="checkbox"/>		
Deliver effective, value for money services to our citizens	<input checked="" type="checkbox"/>		
Summary of issues (including benefits to citizens/service users):			
This report contains draft proposals for the revenue element of the Council's draft MTFP for 2015/16 to 2017/18. These draft proposals comprise savings of £21.8m in 2015/16.			
The final overall proposals for the MTFP, including any changes arising from consultation, will be considered by Executive Board in February 2015 for recommendation to Full Council in March.			
The decision is not subject to call-in as Councillor Brian Parbutt, Chair of the Overview and Scrutiny Committee, has agreed that the decision is reasonable in all the circumstances and should be treated as a matter of urgency as any delay will impact on the public consultation period.			
Exempt information:			
None			
Recommendation(s):			
1 To note, endorse and release for formal public consultation the MTFP proposals as set out in 2.4 and table 3 of the report. Further details relating to individual savings are contained in Appendix 1a-j			

1. REASONS FOR RECOMMENDATIONS

- 1.1. This report presents and seeks endorsement for currently identified draft saving proposals for 2015/16 to 2017/18 to enable the release of details for public consultation.
- 1.2. Any options that include proposed workforce reductions will be the subject of consultation, which entails jointly examining and discussing the proposals and issues of concern with the trade unions and affected colleagues. The details of such proposals may, therefore, be subject to change during the consultation period and this may impact on the way in which identified savings will be delivered.

2. BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

2.1. Overview

The Government has implemented a rapid and extensive programme of policy change, accompanied by significantly reduced funding for the public sector. On current projections the Government's settlement funding for the Council will have reduced by **c£100m** between 2010/11 and 2015/16 and in response, our service and financial planning process has once again facilitated significant proposed movements in resources. Such changes:

- take account of the Council's priorities within the Council Plan
- address demographic and service pressures through investment;
- reflect the significant reductions in external funding (especially general and specific Government grants) by reducing expenditure on those activities;
- support our determination to be efficient, improve performance and modernise our organisation;
- recognise the very challenging financial landscape and future outlook and the impact on all sectors including the public sector

Budgets have been redirected to enable some resources to be targeted on the Council's current focus of supporting the most vulnerable, local jobs, and enjoying Nottingham. Resources are proposed to be redirected by:

- Reducing demand and reviewing the way we commission our services.
- Reviewing and optimising income streams of all kinds
- Redesigning and modernising our service provision / identifying efficiencies

In addition the Council will continue its focus on regeneration and growth through its Capital Investment Strategy. The Capital Programme element of the MTFP will be presented to February Executive Board.

2.2. Key Financial Objectives

The main financial objectives for the City Council focus on: ensuring our financial planning and management support our citizens to have access to value for money services which are modern and fit for purpose; maintaining good underlying financial health and good governance, and always taking a longer term view.

This policy-led, medium term approach to financial planning and management is good practice and ensures that we can fund our vision, values and priorities. The City Council is committed to maintaining financial stability and delivering value for money through effective, economic and efficient services.

All proposals are scrutinised throughout the budget process by peers, senior colleagues and councillors informed by the use of a variety of performance and financial data.

2.3. Funding Assumptions

Local Government continues to operate in a very challenging financial environment and there is considerable uncertainty over the future levels of funding. The provisional Local Government Finance Settlement is not expected to be announced until just before Christmas. Assumptions have been made about the level of funding that the Council is likely to receive based on currently available information. The impact of the Final Settlement will be updated in the February Executive Board Report once the full details are available.

The current projections assume that Nottingham's 2015/16 overall settlement will fall by **c14.9%** having taken into account the government's national spending plans for local government, and the methodology of the retained business rates scheme.

Table 1 shows the currently assumed funding for 2015/16 based on information available before the expected announcement of the provisional settlement in late December and statutory return of detailed business rates projections to DCLG.

TABLE 1: ASSUMED FUNDING			
DESCRIPTION	2015/16 £m	2016/17 £m	2017/18 £m
Projections			
- Retained Business Rates	(61.439)	(63.466)	(65.751)
- Top-up	(27.536)	(28.445)	(29.469)
- Revenue Support Grant	(72.607)	(58.086)	(46.469)
Settlement	(161.582)	(149.996)	(141.688)
100% retained business rates	(0.149)	(0.154)	(0.160)
Council Tax	(88.861)	(91.310)	(93.818)
Collection Fund	(1.000)	0.000	0.000
TOTAL FUNDING	(251.593)	(241.461)	(235.667)

Retained Business Rates

With the localisation of business rates it is necessary for each authority to estimate the amount of business rates to be collected in 2015/16. The monitoring and estimating of business rates is a local responsibility which transfers financial risks to the council. It has a much greater degree of volatility than council tax due to uncertainties surrounding properties and in particular outstanding appeals. A provisional estimate of retained business rates has been made for the projections shown in this report.

Top-up

Under the new scheme any authority whose business rates income is less than their initial baseline funding level, as in the case for Nottingham, will receive the balance as a 'top-up'. This 'top-up' will be a continuing feature of future funding settlements and will be up-rated by inflation for subsequent years.

Revenue Support Grant (RSG)

All authorities will continue to receive Revenue Support Grant (RSG) from central government in addition to their retained business rates. An authority's RSG amount plus its local share of the estimated business rates aggregate will together comprise its Settlement Funding Assessment. Current figures assume a reduction of **29.7% or £30m** in 2015/16 as set out in the provisional figures supplied as part of the financial settlement in February 2014.

Specific Grants

The budget has been constructed on the basis that if specific grant funding reduces then the expenditure and activity will reduce accordingly. If this is not the case then further savings will need to be identified to cover the shortfall.

Council Tax Base

Executive Board are required to agree the council tax base for 2015/16 by the end of January and a detailed report will be presented for consideration to the next Executive Board.

Council Tax and Council Tax Freeze Grant (CTFG)

The proposed MTFP assumes a **1.95%** per annum council tax increase in each financial year.

The Secretary of State for Local Government reaffirmed in December 2013 the government's offer of further council tax freezes grants in 2014/15 and 2015/16. Councils not increasing their Band D council tax will be eligible to receive a grant equivalent to a **1%** increase in each year. Reducing the assumed **1.95%** increase to **0%** in 2015/16 to receive the council tax freeze grant would add a net pressure of **c£0.6m**

The Government is expected to announce its council tax referendum criteria alongside the financial settlement in late December. This report assumes that the government will continue with its current criteria that increases of more than **2%** will require a local referendum.

2.4. Medium Term Financial Plan

Updating Budget Assumptions

The MTFP was previously published in February 2014 with a net budget requirement of **£277.230m** and a gap of **£33.654m** for 2015/16 rising to **£51.684m** for 2016/17.

The figures contained within this MTFP reflected the assumptions made at that time. These assumptions have now been refreshed to reflect our current understanding in relation to inflation, corporate adjustments, previous MTFP assumptions and significant service and demographic pressures particularly:

- Demographic growth in Adults requiring Social Care support packages. This is due to a change in the complexities of requirements for support and growth in numbers.
- Demographic growth in children requiring Social Care support packages is growing at a rate of **11.1%** per annum; this is compounded by a change in the complexities of requirements and associated costs.

Adjustments have also been made to reflect the continuing net impact of savings decisions made in previous budgets of **£3.648m** in 2015/16 rising to **£13.631m** in 2017/18.

MTFP

Table 2 summarises the impact of the 2015/16 proposals contained elsewhere in this report and is based on the starting position of the current balanced 2014/15 budget. The figures are based on current assumptions which will be updated as appropriate for the February Executive Board Report.

TABLE 2: MEDIUM TERM FINANCIAL PLAN			
DESCRIPTION	2015/16 £m	2016/17 £m	2017/18 £m
Net Budget Requirement	277.230	277.230	277.230
Updated Budget Assumptions	1.488	11.296	21.387
NET BUDGET	278.717	288.525	298.617
Retained Business Rates, Top-up & RSG	(161.731)	(150.151)	(141.848)
Council Tax	(88.861)	(91.310)	(93.818)
Collection Funds	(1.000)	0.000	0.000
ASSUMED FUNDING	(251.593)	(241.461)	(235.667)
BUDGET GAP	27.125	47.065	62.950
SAVINGS PROPOSALS	(21.800)	(23.251)	(29.886)
LATEST GAP	5.325	23.814	33.064

Proposed Savings

During the budget process, colleagues and councillors work together to identify proposals which, when taken together, direct funding into the Council's priorities and balance the budget. This is a complex and time consuming activity.

Savings of **£27.125m** are required to balance the currently projected MTFP gap in 2015/16. This reports sets out saving proposals of **£21.800m** in 2015/16 rising to **£29.886m** in 2017/18.

This leaves a gap in 2015/16 of over **£5m** where savings proposals are yet to be finalised. Further proposals will be released and form part of the final budget report in February.

Table 3 summarises the proposals to be delivered by each lead portfolio and cross cutting savings. **Appendix 1a-j** provides more details of the portfolio proposals.

TABLE 3 : CONSULTATION PROPOSALS			
LEAD PORTFOLIO	2015/16 £m	2016/17 £m	2017/18 £m
Adults & Health	(6.965)	(7.131)	(7.859)
Children's Services	(2.381)	(2.457)	(4.882)
Commissioning & Voluntary Sector	(2.439)	(2.614)	(3.909)
Community Services	(1.009)	(0.741)	(0.741)
Energy & Sustainability	(0.450)	0.000	0.000
Jobs & Growth	(0.408)	(0.633)	(0.933)
Leisure & Culture	(0.849)	(0.849)	(0.849)
Planning & Transportation	(1.957)	(1.739)	(2.303)
Resources & Neighbourhood Regeneration	(3.528)	(4.283)	(5.563)
Strategic Regeneration & Community Safety	(0.313)	(0.304)	(0.348)
Portfolio Savings (set out in Appendix 1a-j)	(20.300)	(20.751)	(27.386)
Productivity Initiative (detailed below)	(1.500)	(2.500)	(2.500)
TOTAL	(21.800)	(23.251)	(29.886)

For the purpose of this report the proposals are identified against the lead portfolio holder. However, some proposals cut across two or more portfolios. This more detailed analysis will be reflected in the February MTFP report.

In addition to the portfolio proposals, a commitment to an additional cross-cutting saving linked to productivity has been made. Directorates are developing action plans to deliver this initiative which will be managed and implemented alongside existing budget proposals. The initiative will focus on delivering a **great workforce** by improving performance in teams, recognising good work and tackling poor performance alongside a reduction in overall absence levels which will have a positive impact on productivity. The Productivity Initiative is supported by a range of corporate projects including Working Well.

Table 4 summarised proposals by type which align to the overall budget strategy.

TABLE 4 : CONSULTATION PROPOSALS			
PROPOSAL TYPE	2015/16 £m	2016/17 £m	2017/18 £m
Demand / Commissioning	(2.124)	(2.371)	(5.635)
Income Generation	(9.462)	(10.010)	(11.988)
Service Redesign	(8.061)	(7.696)	(9.005)
Stop Doing	(0.654)	(0.674)	(0.759)
SAVINGS (APPENDIX 1a-j)	(20.300)	(20.751)	(27.386)
Productivity Initiative	(1.500)	(2.500)	(2.500)
TOTAL	(21.800)	(23.251)	(29.886)

3. OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 3.1. Throughout the budget process a range of different options are considered including various levels of council tax, investment and cost reductions. This is a complex process with many iterations and possibilities too numerous and detailed to present as discrete options here. This report presents the overall set of current draft proposals which together seek to balance levels of investment, income, cost reductions and an appropriate level of council tax.

4. FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY/VAT)

- 4.1. The City Council's annual budget, within the MTFP, forms the cornerstone of financial management and control within the organisation. All revenue spending and income will continue to be monitored against the final MTFP.
- 4.2. The Council has developed a robust approach to providing value for money and efficiency savings which support the delivery of the Council Plan. The embedding of a robust VFM framework is one of the key strands within our transformation programme, but it is through the mainstream application of such principles within service planning and delivery that VFM will be delivered. The Audit Committee has responsibility for the scrutiny and challenge of the framework and its implementation.

5. RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT IMPLICATIONS)

- 5.1. The City Council is required to set a balanced budget for 2015/16 before 11 March 2015.
- 5.2. Insofar as the cost reduction proposals as set out in this report contain workforce reduction proposals, Section 188(1) of the Trade Union and Labour Relations (Consolidation) Act 1992 ("TULR(C)A") may well be engaged and sufficient time will need to be set aside for relevant consultation with the appropriate representatives of affected employees.
- 5.3. A detailed and comprehensive interim risk assessment will be undertaken in order to inform the Chief Finance Officer's (CFO's) assessment of the affordability of the MTFP and the consequent recommended levels of reserves and contingencies. Any increases in these levels, reflect the higher level of risk inherent in the budget arising from significantly reduced external funding sources, transfer of risks from Central Government and the resultant high levels of cost reductions required. The final risk assessment will inform the budget report to Executive Board in February.

6. SOCIAL VALUE CONSIDERATIONS

- 6.1. None

7. REGARD TO THE NHS CONSTITUTION

- 7.1. Not applicable

8. EQUALITY IMPACT ASSESSMENT (EIA)

Has the equality impact been assessed?

(a) not needed

Any decisions relating to the draft budget proposals will be set out in further reports to Executive Board in February and to City Council in March 2015. Equality Impact Assessments are being carried out, where appropriate, for all relevant budget proposals and a summary will be provided with these reports

(b) No

(c) Yes – Equality Impact Assessment attached

9. LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)

None

10. PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT

None

11. OTHER COLLEAGUES WHO HAVE PROVIDED INPUT

Theresa Channell - Head of Corporate and Strategic Finance
0115 8763657
theresa.channell@nottinghamcity.gov.uk

Ian Fair – Finance Analyst (Budget)
0115 8763651
ian.fair@nottinghamcity.gov.uk